



Budget Brief 13-15, October 7, 2013

## Potential Flexibility for States During Shutdown

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### Summary

Most discretionary programs (and some mandatory programs funded in appropriations acts) are affected by the government shutdown in that no new money is available during the lapse in federal budget appropriations. While Congress is considering legislation to ensure that federal workers are paid during the shutdown once appropriations are enacted, it has not addressed whether states would be reimbursed for any state funds used to run federal programs. The Office of Management and Budget (OMB) said it will advocate for such reimbursement, and several agencies have advised states that federal reimbursement will be allowed, unless Congress specifies otherwise.

The following questions are designed to help states assess their options for funding programs during the appropriations lapse, as well as to determine how specific programs may be affected. The federal government will make any final determinations. Table 1 provides details for major discretionary and mandatory programs.

**1) Is this a mandatory program that bypasses the appropriations process completely?** Funding for these programs becomes automatically available, although programs may be affected by reduced staffing at the federal level. Examples include the Children's Health Insurance Program, several Affordable Care Act (ACA) programs, Mineral Leasing, and Fish & Wildlife programs (see [Budget Brief 13-14](#) for a more complete list).

**2) Is this a mandatory program funded in appropriations acts?** Most of these programs will not have access to new funding during the shutdown, although states are entitled to reimbursement once an appropriations bill is enacted. Examples include the Social Services Block Grant (SSBG), Promoting Safe and Stable Families, Child Nutrition, and Vocational Rehab – Basic State Grants.

**3) Do any mandatory programs lack an authorization?** The Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), and the mandatory/matching portion of the Child Care Development Fund (CCDF) lack both funding and an authorization. However, federal agencies have issued guidance to states on options for continuing operations in the short-term, as described in [Budget Brief 13-13](#).

**4) Do discretionary or mandatory programs have any new funds available?** Some mandatory programs received advanced funding for the first quarter of federal fiscal year (FY) 2014 in the FY 2013 appropriations law, including Medicaid, Vaccines for Children, Child Support Enforcement, and payments

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for foster care and permanency. Similarly, discretionary programs with FY 2014 funding already appropriated include: Title I, special education, and the Workforce Investment Act (WIA) formula grants. Finally, projects funded through the Highway Trust Fund (HTF) can continue because of contract authority already in place.

**5) Can prior-year federal funds support discretionary programs or appropriated mandatory programs during the lapse in appropriations?**

States need to determine if a program has prior-year funds available. If so, federal regulations may allow states to use unspent prior-year funds for obligations incurred in FY 2014. Table 1 lists the FY 2013 obligation end date and any special circumstances for major grant programs. For instance, most education and health and human services programs can use FY 2013 funding through September 30, 2014. All Department of Justice grants are funded from no-year appropriations and may continue as long as sufficient carryover funds remain. For some programs with a one-year obligation period, states may request an extension or waiver (Ryan White AIDS Grants and Emergency Food and Shelter) or carry over a portion of the grant (Women, Infants & Children, Low-Income Home Energy Assistance Program). However, many states have indicated that WIC carryover funds will be spent by mid- to late-October. Some programs (Head Start, Family Planning, and Ryan White AIDS) operate on a funding period that differs from the fiscal year; thus, funding is available into FY 2014 until the funding period ends.

**6) Does this program have a matching or maintenance-of-effort (MOE) requirement?**

State spending during the shutdown may be used to meet matching or MOE requirements, unless Congress specifies otherwise. Presumably, states have already budgeted for use of these funds. Table 1 indicates the major programs with matching and MOE requirements. [Special Analysis 11-02](#) details the requirements by program.

**7) Can we draw down these funds during the shutdown?**

In general, automated payment systems are operational during the shutdown to ensure delivery of grant payments for programs or funding not affected by the shutdown. That said, there could be delays if the drawdown request triggers any edit checks. Moreover, some reimbursements may not be processed because staff certifying and executing the payments would not be available (as is the case with the Federal Transit Administration).

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# Table 1

## Funding Availability for Major Programs

Major Discretionary	FY 2013 Obligation End Date	Federal Match/MOE Required	Notes
<b>Department of Agriculture</b> Commodity Assistance Program (CAP) Women, Infants & Children (WIC)	9/30/2013 9/30/2013	X	Some inventory may be available in food packages. States can carry over 1% of their grant to the following year. If the state has achieved significant savings from cost-containment measures, this amount increases to 5% in the first year and 3% in the following year.
<b>Department of Commerce</b> Economic Development Assistance (EDA)	See Note	X	Project periods are specified in the grant award documents, but generally do not exceed three to five years.
<b>Department of Education</b> Title I: Education for the Disadvantaged	9/30/2014	X	At least 85% of funds must be obligated by September 30, 2013. Up to 15% may be carried over for use in FY 2014, but those funds must be obligated no later than September 30, 2014. In addition to carryover funds from FY 2013, this program is forward funded and has received a majority of its FY 2014 funds.
Title I: School Improvement Grants	9/30/2014		At least 85% of funds must be obligated by September 30, 2013. Up to 15% may be carried over for use in FY 2014, but those funds must be obligated no later than September 30, 2014.
Striving Readers	9/30/2014		
Ready-to-Learn Television	9/30/2014		
Mathematics and Science Partnerships	9/30/2014		
English Language Acquisition	9/30/2014		
Improving Teacher Quality	9/30/2014		In addition to carryover funds from FY 2013, this program is forward funded and has received a majority of its FY 2014 funds.
Teacher Incentive Fund	9/30/2014		
Impact Aid	9/30/2014		
21st Century Community Learning Centers	9/30/2014		
State Assessments	9/30/2014		
Special Education State Grants (Part B-611)	9/30/2014	X	In addition to carryover funds from FY 2013, this program is forward funded and has received a majority of its FY 2014 funds.
Career and Technical Education State Grants	9/30/2014	X	In addition to carryover funds from FY 2013, this program is forward funded and has received a majority of its FY 2014 funds.
Adult Basic and Literacy Education State Grants	9/30/2014	X	
Federal Supplemental Ed. Opportunity Grants	9/30/2014	X	
Work Study	9/30/2014	X	
Race to the Top (RTT)	See Note		Varies based on award date. Funds are awarded for a four-year grant period. Grantees have 90 days after the end of the project period to liquidate funds. All RTT funds not obligated and liquidated by 9/30/2015 will revert back to the Treasury.
<b>Department of Health and Human Services (HHS)</b> Substance Abuse Block Grant	9/30/2014	X	
Mental Health Block Grant	9/30/2014	X	
Maternal & Child Health Block Grant	9/30/2014	X	
Community Health Centers	See Note	X	HHS is relying on mandatory funding from the Affordable Care Act (ACA) during the lapse in appropriation.
Preventive Health Block Grant	9/30/2014		
Family Planning	See Note	X	Funds generally available during the one-year funding period, which varies by grantee.
Ryan White AIDS Grants	See Note	X	Obligations are available for a one-year period beginning on the date on which funds become available to the state. For Part A and Part B formula grants, states may request a waiver to use these funds in the next fiscal year.
Hospital Preparedness	6/30/2014	X	Grantees may request to carry over unobligated funds.
CDC-State & Local Capacity (Bioterrorism)	6/30/2014	X	Grantees may request to carry over unobligated funds.
Head Start	See Note	X	Obligations are available during funding period, which is based on each grantee's own annual budget period. Carry-over on a case-by-case basis.
Child Welfare Services	9/30/2014	X	
Community Services Block Grant	9/30/2014		
Child Care & Development Block Grant	9/30/2014		
Low-Income Home Energy Assistance	See Note		At least 90% of funds must be obligated by September 30, 2013. Up to 10% may be carried over for use in FY 2014, but those funds must be obligated no later than September 30, 2014.
Refugee Assistance	See Note	X	The Social Services Program, Targeted Assistance Program, and Cash and Medicaid Assistance - Unaccompanied Minor Costs have a two-year obligation period (until 9/30/2014). The Cash and Medical Assistance Program has a one-year obligation period.
Administration on Aging	9/30/2013	X	Title III funds must be obligated by September 30 of the federal fiscal year in which they were awarded. Reallotted FY 2013 funds are available until September 30, 2014.
<b>Department of Housing and Urban Development (HUD)</b> Community Development Block Grant - Entitlement (CDBG)	See Note		HUD indicated that pre-FY 2014 funds will continue uninterrupted. Funds included in the FY 2013 appropriations bill are available until 9/30/2015.
CDBG - Nonentitlement	See Note		HUD indicated that pre-FY 2014 funds will continue uninterrupted. Funds included in the FY 2013 appropriations bill are available until 9/30/2015.
Homeless Assistance Grants	See Note	X	HUD indicated that grants will continue under the safety of life exception.
HOME Program	See Note	X	HUD indicated that pre-FY 2014 funds will continue uninterrupted. Funds included in the FY 2013 appropriations bill are available until 9/30/2015.
Public Housing Operating Fund	12/31/2013		Program operates on a calendar year with monthly subsidy payments.
Public Housing Capital Fund (CFP)	9/30/2015		
Tenant-Based Rental Assistance (Section 8)	See Note		HUD indicated that funds are available for payments through December.
Project-Based Rental Assistance (Section 8)	See Note		HUD indicated that funds are available for payments through December.
Housing for the Elderly	See Note		Funds included in the FY 2013 appropriations bill are available until 9/30/2015.
Housing for Persons with AIDS	See Note		HUD indicated that grants will continue under the safety of life exception.
Housing for Persons with Disabilities	See Note		Funds included in the FY 2013 appropriations bill are available until 9/30/2015.

cont.

Major Discretionary	FY 2013 Obligation End Date	Federal Match/MOE Required	Notes
<b>Department of Energy (DOE) and EPA</b> DOE Weatherization Assistance Program DOE State Energy Program EPA Clean Water State Revolving Fund EPA Drinking Water State Revolving Fund	See Note See Note 9/30/2014 9/30/2014	X X X	States are expected to obligate all funds within the annual budget period. However, states are expected to spend new FY 2013 allocations in the budget year funding is received.
<b>Department of Justice</b> Violence Against Women COPS/21st Century Policing State Criminal Alien Assistance Program (SCAAP) Byrne Justice Assistance Grants (JAG) Juvenile Accountability Block Grant (JABG)	See Note See Note See Note See Note See Note	X X X X	According to Department of Justice guidance, "The grants awarded by the Department are funded from no-year appropriations, as are the employees who administer those grants. As a result, these activities may continue during a lapse as long as sufficient carryover funds remain."
<b>Department of Homeland Security</b> State Homeland Security Grant Program (SHSGP) Urban Area Security Initiative (UASI) Emergency Food and Shelter Emergency Management Performance Grants	9/30/2015 9/30/2015 9/30/2013 9/30/2014	X	Can be extended by request. Can be extended by request. Obligation period may be extended by a request from the local boards.
<b>Department of Labor</b> Dislocated Worker Assistance  Adult Training  Youth Training  Workforce Innovation Fund Programs Employment Service State Administration Unemployment Insurance State Administration	6/30/2016  6/30/2016  6/30/2016  See Note 9/30/2015 See Note		This program is forwarded funded and has an appropriation through 6/30/2014. States can carry over 20% of funds for two succeeding program years. This program is forwarded funded and has an appropriation through 6/30/2014. States can carry over 20% of funds for two succeeding program years. This program is funded on a program year and has funding through 6/30/2014. States can carry over 20% of funds for two succeeding program years. Grants are awarded for a 36-40-month project period. Funds are available for obligation for three years. States may use any funds allocated before 10/1/2013 until they are expended. No new funding will be awarded until appropriations are enacted.
<b>Department of Transportation (DOT)</b> Airport Obligation Limitation Federal Aid Highway Programs (FHWA)  Federal Transit Administration (FTA) programs	See Note See Note  See Note		Funding is available because this program operates on contract authority. DOT has indicated that Highway Trust Fund operations will continue during a lapse in annual appropriations because of contract authority already in place. According to DOT, FTA would not obligate grant funds as FTA staff that perform these functions are not excepted employees. Limited functions from prior-year appropriations would continue, such as Hurricane Sandy activities funded from the 2013 Disaster Relief Appropriations Act.

Major Mandatory	FY 2013 Obligation End Date	Federal Match/MOE Required	Notes
Child Nutrition Supplemental Nutrition Assistance - State Administration	9/30/2014 9/30/2013	X X	State administrative expenses are awarded for a two-year period. The Department of Agriculture (USDA) may use part of \$2 billion in contingency to continue to fund state administration grants for the first month of FY 2014.
Social Services Block Grant (SSBG) Child Care Entitlements to States	9/30/2014 See Note	X	Matching funds: one year to obligate. Mandatory funds: If a state also requests matching funds, one year to obligate. If a state does not request matching funds, there is no limit on the obligation period.
Temporary Assistance to Needy Families (TANF) Child Support Enforcement Administrative Costs	No limit	X X	This program received an appropriation for the first quarter of FY 2014 in the FY 2013 appropriations bill.
Foster Care		X	This program received an appropriation for the first quarter of FY 2014 in the FY 2013 appropriations bill.
Adoption Assistance		X	This program received an appropriation for the first quarter of FY 2014 in the FY 2013 appropriations bill.
Independent Living	9/30/2014	X	This program received an appropriation for the first quarter of FY 2014 in the FY 2013 appropriations bill.
Promoting Safe and Stable Families (PSSF) Child Health Insurance (CHIP) Medicaid Vendor Payments	9/30/2014	X X X	This program received a direct appropriation for FY 2014 in its authorizing legislation. This program received an appropriation for the first quarter of FY 2014 in the FY 2013 appropriations bill.
Medicaid Administration		X	This program received an appropriation for the first quarter of FY 2014 in the FY 2013 appropriations bill.
Vaccines for Children		X	This program received an appropriation for the first quarter of FY 2014 in the FY 2013 appropriations bill.
Vocational Rehab. State Grants	9/30/2014	X	States can carry over federal funds for one fiscal year if they meet matching requirements.

\*Details on applicable matching and maintenance-of-effort (MOE) requirements can be found in *Special Analysis 11-02*.

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